



No. 30

March 10, 2006

S. Con. Res. 83 Concurrent Budget Resolution for Fiscal Year 2007

Calendar No. 371

Reported on March 9, 2006 as an original concurrent resolution by the Senate Budget Committee, by a vote of 11 to 10.

Noteworthy

As approved by the Senate Budget Committee, S. Con. Res. 83 sets total spending in fiscal year 2007 at \$2.787 trillion and total revenues at \$2.428 trillion.

- **Deficit Reduction:** As approved by the Budget Committee, S. Con. Res. 83 makes good on the President's and the Congress' pledge to cut the deficit in half by 2009. In fact, it cuts the deficit in half a year early – reducing a projected deficit of \$521 billion in 2004 (4.5 percent of GDP) to \$250 billion (1.7 percent of GDP) in 2008.
- **Budget Enforcement:** As approved by the Budget Committee, S. Con. Res. 83 includes discretionary caps for the next three fiscal years, retains the current pay-as-you-go rule in the FY 2004 Budget Resolution, and the long-term point of order for any legislation that increases spending more than \$5 billion in any 10-year period between 2015 and 2055. It also creates a new point of order to curb entitlement spending if the general fund contributes more than 45 percent of total Medicare outlays.
- **Discretionary Spending:** As approved by the Budget Committee, S. Con. Res. 83 provides \$873 billion in discretionary budget authority for FY 2007, which is \$32 billion above the non-emergency FY 2006 level. This figure is also \$7 billion above the discretionary cap set for 2007 in the FY06 budget resolution. Within this allocation, most spending programs are assumed to be frozen at FY 2006 levels, except high-priority areas including defense and homeland security.
- **Medicare Spending:** As approved by the Budget Committee, S. Con. Res. 83 includes \$382 billion for Medicare in 2007, an increase of \$55 billion (+17 percent) over 2006. The average annual increase in Medicare spending during the five-year budget window is 9.7 percent.
- **Tax Cuts:** As approved by the Budget Committee, S. Con. Res. 83 assumes that tax rates are not increased (in anticipation that Congress will ultimately extend the beneficial tax relief enacted in 2001 and 2003).

Highlights

Reconciliation

Spending Reconciliation Instructions (Section 201)

As approved by the Budget Committee, S. Con. Res. 83 instructs the Energy and Natural Resources Committee to meet a reconciliation target of \$3 billion over the FY 2007-2011 period. In other words, the Resolution assumes a \$3 billion increase in offsetting receipts (negative spending) as a result of opening the Arctic National Wildlife Refuge (ANWR) to oil exploration and development. (The Resolution also includes a reserve fund stipulating that if legislation is enacted that opens ANWR to drilling, \$1.05 billion of the associated receipts will be devoted to appropriations for the Land and Water Conservation Fund (LWCF), the Forest Legacy Program, and the Coastal and Estuarine Land Protection Program (\$350 million per year in 2009, 2010, and 2011).)

Budget Enforcement

Pay-as-you-go

As approved by the Budget Committee, S. Con. Res. 83 leaves unchanged the pay-as-you-go rule in the FY 2004 Budget Resolution. The rule establishes a 60-vote point of order against legislation that would increase the deficit beyond the level assumed in the FY 2007 Budget Resolution for FY 2007, the five year period from FY 2007-2011 or the five-year period from FY 2012-2016.

Limitation on Long-Term Spending Proposals

As approved by the Budget Committee, S. Con. Res. 83 leaves unchanged a 60-vote point of order against legislation that would increase spending by more than \$5 billion in any of the four 10-year periods between 2015 and 2055.

Restrictions on Advance Appropriations (Section 401)

As approved by the Budget Committee, S. Con. Res. 83 caps use of advance appropriations for FY 2008 and FY 2009 at \$23.158 billion. Furthermore, this restriction only permits advance appropriations in 4 appropriations bills: 1) Interior; 2) Labor, Health and Human Services, Education; and 3) Transportation, Treasury; and 4) Defense.

Emergency Legislation (Section 402)

As approved by the Budget Committee, S. Con. Res. 83 provides for the use of an emergency designation so that spending or revenue changes do not count for enforcement purposes. A provision may be designated as an emergency if it is: 1) necessary, essential, or vital; 2) sudden, quickly coming into being, and not building over time; 3) an urgent, pressing, and compelling need requiring immediate action; 4) unforeseen, unpredictable,

and unanticipated; and 5) not permanent. With an emergency designation, a provision would not count against the Senate's pay-as-you-go scorecard.

The provision includes a new limitation on the use of "emergency" designations to avoid budget process rules. This year the Mark includes a specific cap on the total amount of emergency spending available for Fiscal Year 2007.

Limitation—As approved by the Budget Committee, S. Con. Res. 83 provides for total emergency spending not to exceed \$90 billion (including amounts made available for function 050). Within this \$90 billion, \$50 billion in supplemental appropriations is assumed for the global war on terrorism, \$2 billion for domestic border security initiatives, and \$2.3 billion for pandemic influenza initiatives.

Discretionary Spending Limits in the Senate (Section 403)

As approved by the Budget Committee, S. Con. Res. 83 sets out congressional discretionary spending limits with respect to both budget authority and outlays for the first year covered by the budget resolution and for budget authority only for 2008 and 2009. The discretionary caps follow:

FY 2007:

New Budget Authority:	\$872.504 billion
Discretionary Outlays:	\$963.048 billion

FY 2008

New Budget Authority:	\$895.784 billion
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FY 2009

New Budget Authority:	\$919.178 billion
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Direct Spending Limitation (Section 406)

As approved by the Senate Budget Committee, S. Con Res. 83 creates a new enforcement tool to slow the growth of federal direct spending when the Treasury's general-fund contribution for the Medicare program rises above 45 percent of total Medicare spending. The rate of growth in Medicare spending under current law suggests that Medicare spending will soon absorb a historically unprecedented amount of resources as a share of both federal government spending and the economy. Yet significant action to avoid this outcome is lacking.

Under current law, there is already a warning system to indicate when Medicare spending relies too much on general revenues instead of dedicated Medicare taxes (i.e., when more than 45 percent of Medicare spending comes from general revenues). To create pressure for significant Medicare reforms (that will reduce the contribution from general revenues to pay for Medicare costs), section 406 of the resolution creates a budget point of order against any new direct spending legislation if the Chairman of the Budget Committee projects and notifies the Senate (for two consecutive years) that the general fund will account for more than 45 percent of total Medicare outlays within the next seven years.

Direct spending proposals will not be subject to points of order if the new direct spending is offset by changes in spending, receipts, or revenues. The Chairman may withdraw the notification when legislation to reduce the general fund contribution to Medicare is enacted.

Bill Provisions

Note:

Simply put, the discretionary budget assumptions in the budget are just that—assumptions—nothing more, nothing less. With respect to discretionary spending, the budget provides a binding 302(a) number to the Appropriations Committee.¹ The 302(a) number is the top level for discretionary spending in a given year. As passed by the Budget Committee, S. Con. Res. 83 provides a 302(a) allocation of \$872.5 billion. This figure is the only binding number that is forwarded to the Appropriations Committee. Consequently, despite the fact that a number of amendments will be offered to increase funding for individual discretionary programs, the effect of such amendments are meaningless for the Appropriations Committee, and result in nothing more than political rhetoric.

Spending

National Defense (Function 050)

- For national defense funding in 2007, S. Con. Res. 83 assumes \$545.4 billion in budget authority and \$550.5 billion in outlays.
- The resolution assumes \$90 billion for supplemental appropriations for 2007, including costs associated with ongoing military operations in Iraq and Afghanistan.

International Affairs (Function 150)

- For international affairs in 2007, S. Con. Res. 83 assumes \$31.4 billion in budget authority and \$34.3 billion in outlays.

General Science, Space, and Technology (Function 250)

- This function includes the National Aeronautics and Space Administration (NASA) civilian space program (which excludes NASA aeronautics funding that falls in function 400), basic research programs of the National Science Foundation (NSF), and Department of Energy (DOE) Office of Science.

¹ The Appropriations Committee subsequently breaks the 302(a) number into twelve 302(b) allocations, which are the allocations to the individual Appropriations Subcommittees.

- For this function in 2007, S. Con. Res. 83 assumes \$26.2 billion in budget authority and \$25.2 billion in outlays.

Energy (Function 270)

- For energy in 2007, S. Con. Res. 83 assumes \$2.2 billion in budget authority and \$0.9 billion in outlays.

Natural Resources and Environment (Function 300)

- For this function in 2007, S. Con. Res. 83 assumes \$29.6 billion in budget authority and \$33.0 billion in outlays.

Agriculture (Function 350)

- For Agriculture in 2007, S. Con. Res. 83 assumes \$27.4 billion in budget authority and \$26.8 billion in outlays.

Commerce and Housing Credit (Function 370)

- This function includes discretionary housing programs, such as subsidies for single and multifamily housing in rural areas and mortgage insurance provided by the Federal Housing Administration; net spending by the Postal Service; discretionary funding for commerce programs, such as international trade and exports, science and technology, the census, and small business; and mandatory spending for deposit insurance activities related to banks, thrifts, and credit unions.
- For this function in 2007, S. Con. Res. 83 assumes \$16.0 billion in budget authority and \$7.5 billion in outlays.

Transportation (Function 400)

- For transportation in 2007, S. Con. Res. 83 assumes \$78.3 billion in budget authority and \$75.8 billion in outlays.

Community and Regional Development (Function 450)

- This function includes funding for community and regional development and disaster relief. The function includes the Federal Emergency Management Agency (FEMA), the Economic Development Administration (EDA) within the Commerce Department, and portions of the Department of Housing and Urban Development (most notably the **Community Development Block Grant** program) and the Bureau of Indian Affairs.
- For this function in 2007, S. Con. Res. 83 assumes \$14.7 billion in budget authority and \$31.2 billion in outlays.

Education (Function 500)

- For this function in 2007, S. Con. Res. 83 assumes \$86.9 billion in budget authority and \$89.3 billion in outlays.

Health (Function 550)

- For this function in 2007, S. Con. Res. 83 assumes \$277.8 billion in budget authority and \$275.3 billion in outlays.

Medicare (Function 570)

- For Medicare in 2007, S. Con. Res. 83 assumes \$382.1 billion in budget authority and \$387.5 billion in outlays.

Income Security (Function 600)

- For this function in 2007, S. Con. Res. 83 assumes \$357.9 billion in budget authority and \$362.7 billion in outlays.

Social Security (Function 650)

- For the Social Security Administration in 2007, S. Con. Res. 83 assumes \$585.4 billion in budget authority and \$583.3 billion in outlays.

Veterans' Benefits and Services (Function 700)

- For veterans' benefits and services in 2007, S. Con. Res. 83 assumes \$74.0 billion in budget authority and \$73.1 billion in outlays.

Administration of Justice (Function 750)

- For federal law enforcement and judicial activities in 2007, S. Con. Res. 83 assumes \$45.9 billion in budget authority and \$46.3 billion in outlays.

General Government (Function 800)

- For general government programs in 2007, S. Con. Res. 83 assumes \$19.5 billion in budget authority and \$19.3 billion in outlays.

Reserve Funds

In general, a reserve fund permits the Chairman of the Committee on the Budget to increase the section 302(a) allocation and other appropriate levels set out in this resolution (including, in some cases, the discretionary spending limits) once certain conditions have been met. The authority to make these adjustments is solely within the

discretion of the Chairman and may be made when the committee of jurisdiction reports a measure that satisfies all of the conditions set out in the reserve fund.

Reserve Fund for National Flood Insurance Program (Section 308)

As approved by the Budget Committee, Section 308 provides a reserve fund for a bill to reform the National Flood Insurance Program. The reserve fund would liquidate the program's remaining obligations from the 2005 flooding, provided that the legislation forgives the program's debt to the Treasury and places the program on a sound actuarial basis by phasing out subsidized coverage of non-primary residences, reducing the rate of repetitive loss claims, and making other needed reforms.

Reserve Fund for Land and Water Conservation Fund (Section 310)

As approved by the Budget Committee, Section 310 provides a reserve fund stipulating that if legislation is enacted that opens ANWR to drilling, \$1.05 billion of the associated receipts will be devoted to appropriations for the Land and Water Conservation Programs, the Forest Legacy Program, and the Coastal and Estuarine Land Protection Program (\$350 million per year in 2008, 2009, and 2010).

Deficit-Neutral Reserve Funds

Reserve Fund for the Uninsured (Section 301)

As approved by the Budget Committee, Section 301 provides a reserve fund for legislation reported by the Committee on Health, Education, Labor and Pensions or the Committee on Finance that addresses health care costs, coverage, or care for the uninsured by increasing access to integrated health care services and increasing the number of people who have health insurance focusing specifically on individuals without employer-sponsored coverage, college students, recent graduates, and chronically ill individuals.

Reserve Fund for Health Information Technology (Section 302)

As approved by the Budget Committee, Section 302 provides a reserve fund for a bill that provides incentives or other support for the adoption of health information technology to improve health care quality.

Reserve Fund for Asbestos Injury Trust Fund (Section 303)

As approved by the Budget Committee, Section 303 provides a reserve fund for a bill that creates an Asbestos Injury Trust Fund that compensates injured victims of asbestos-related disease who can establish that asbestos exposure is a substantial contributing factor in their condition, as long as the bill is deficit-neutral for 50 years.

Reserve Fund for Prescription Drug Importation (Section 304)

As approved by the Budget Committee, Section 304 provides a reserve fund relating to the importation of Food and Drug Administration (FDA)-approved prescription drugs from foreign countries with strong drug safety laws.

Reserve Fund for Secure Rural Schools and Community Self-Determination Act Reauthorization (Section 305)

As approved by the Budget Committee, Section 305 provides a reserve fund for the Energy and Natural Resources Committee bill that reauthorizes the Secure Rural Schools and Community Self-Determination Act (P.L. 106-393), which provides payments to counties in the Pacific Northwest and elsewhere that have experienced significant declines in timber receipts from Federal lands.

Reserve Fund for Comprehensive Immigration Reform (Section 306)

As approved by the Budget Committee, Section 306 provides a reserve fund for a bill for comprehensive immigration reform that provides for increased interior enforcement, legal employment verification, border security, and enhanced information technology systems.

Reserve Fund for Indian Claim Settlement (Section 307)

As approved by the Budget Committee, Section 307 provides a reserve fund relating to the settlement of trust accounting deficiencies in the Individual Indian Moneys accounts and provides for new accounting practices.

Reserve Fund to Protect America's Competitive Edge (Section 309)

As approved by the Budget Committee, Section 309 provides a reserve fund for a bill reported by the Committee on Health, Education, Labor and Pensions; the Committee on Energy and Natural Resources; or the Committee on Commerce, Science, and Transportation that increases the number of students and graduates pursuing science, technology, engineering, and math (STEM) or foreign language courses, degrees, and occupations; improves educational programs in these fields; increases investment in basic and applied research at Department of Energy; improves educational opportunities in math, science, or engineering; increases the investment in basic and applied research at NASA, NIST, or NSF; or improves quality, coordination, or support for such research.

Reserve Fund for Bonneville Power Administration (BPA).

The Committee-reported resolution provides for a deficit-neutral reserve fund for legislation that prohibits BPA from making early payments on its federal bond debt to the U.S. Treasury.

Background

Background

As Congress's blueprint for federal spending, the budget resolution sets binding limits on discretionary and mandatory spending levels and binding floors for revenue collections. For discretionary spending, the budget resolution allocates overall spending levels to the House and Senate Appropriations Committees through its 302(a) allocations.²

² The Appropriations Committee then divides this allocation among its subcommittees through 302(b) allocations.

The budget resolution's provisions are enforced through internal Senate rules. The spending and revenue levels adopted in the resolution are enforced through 60-vote points of order.

The budget resolution may direct authorizing committees to make changes in mandatory spending programs or tax policy through reconciliation instructions. In past resolutions, spending reduction instructions have been directed to the Finance, Agriculture, Commerce, Banking, HELP, and other authorizing committees. Revenue-change instructions have been directed to the Finance Committee.

The reconciliation process is enforced through numerous provisions at both the committee and floor level. Committees failing to adopt legislation meeting the resolution's instructions face the possibility that any Senator could offer a motion to recommit with any adjustment to the reconciliation legislation, if that adjustment would bring the violating committee into compliance. On the floor, reconciliation bills enjoy protected status, including limited debate on the bill and on individual amendments, and special points of order against amendments that increase the deficit, amend the Social Security Act, and others. [For a full description of budget and reconciliation rules, see Senate Budget Committee Report 105-67.]

Procedures

Under the Budget Act of 1974, as amended, a budget resolution is a privileged piece of legislation. It is not subject to filibuster, and debate time is limited to 50 hours, equally divided. However, this does not mean that Republicans have 25 hours for debate and the offering of amendments. As time is used on debate or amendments, remaining time is equally divided as debate proceeds. In addition, votes do not count against this time limit, nor do quorum calls just prior to votes. [For an explanation of Budget Act points of order, see *Riddick's Senate Procedure*, revised in 1992, pp. 615-618.]

Amendments to the budget resolution must be germane; otherwise, a point of order lies against the amendment, and 60 votes are required to waive the point of order. Germane amendments are those which:

- 1) strike;
- 2) increase or decrease numbers; or
- 3) add language that restricts some power in the resolution.

Debate on first-degree amendments is limited to two hours, one hour to proponents and one hour to opponents. Debate on second-degree amendments is limited to one hour, 30 minutes to proponents and 30 minutes to opponents. All debate time on a first-degree amendment must be used or yielded back before a second-degree amendment can be offered.

No debate is allowed on a point of order made against any amendment under the Budget Act. If a Senator wishes to debate the point of order, he or she must move to waive the Budget Act. Debate on any motion to waive a point of order is limited to one hour, equally divided. Amendments can be offered at any time.

Possible Amendments

The following is a list of amendments offered during the Budget Committee markup. Both the accepted and defeated amendments are listed. Similar amendments can be expected on the Senate floor. (Cosponsors are in parentheses.)

Amendments Accepted by Unanimous Consent

Wyden, D-OR (Crapo and Murray): Amendment to create a reserve fund for legislation that prevents the Bonneville Power Administration from making early payments on its debt to the Treasury.

Conrad, D-ND: Amendment to allow for deficit-neutral legislation that provides the Centers for Medicare and Medicaid Services (CMS) with \$1.75 billion to create a demonstration project or program that assigns a case manager to coordinate the care of chronically-ill and other high-cost Medicare beneficiaries in traditional fee-for-service Medicare.

Grassley, R-IA: Amendment to increase function 500 by \$500 million in discretionary spending related to Title XX of the Social Security Act—the Social Services Block Grant (SSBG) for FY 2007, and offset in function 920.

Amendments Defeated

Conrad, D-ND (Feingold, Nelson and Wyden): Amendment to restore old fashioned pay-as-you-go point of order in the Senate. **Amendment Rejected 10 – 11.**

Murray, D-WA (Stabenow and Feingold): Amendment to increase Veterans medical services funding by \$1.5 billion in FY 2007 to be paid for by closing corporate tax loopholes. **Amendment Rejected 10 – 11.**

Sarbanes, D-MD (Stabenow and Feingold): Amendment to increase funding for Assistance to Firefighters Grant Program (FIRE Act) and the staffing for Adequate Fire and Emergency Response (SAFER) Act by closing corporate tax loopholes. **Amendment Rejected 10 – 11.**

Feingold, D-WI (Stabenow, Murray, Wyden, Sarbanes, and Menendez): Amendment to prevent consideration of drilling in the Arctic National Wildlife Refuge in a budget reconciliation bill. **Amendment Rejected 10 – 11.**

Stabenow, D-MI: Amendment to create a Medicare Part D reserve fund to provide seniors with an option for a prescription drug benefit that is affordable, user-friendly, and administered directly by Medicare. **Amendment Rejected 9 – 12.**

Menendez, D-NJ (Sarbanes and Feingold): Amendment to provide an additional \$965 million for increasing inspections, improving existing programs, and increasing research

and development related to port security, and to fully offset this additional funding by closing tax loopholes. **Amendment Rejected 10 – 11.**

Murray, D-WA (Stabenow): Amendment to restore funding for United States Coast Guard's traditional missions to the FY06 level, including a 4% overall increase, consistent with other Coast Guard missions. The amendment would also provide additional funding for the small boat programs, which allow the USCG the additional platforms necessary to perform its traditional mission. **Amendment Rejected 10 – 11.**

Stabenow, D-MI (Johnson): Amendment to create an entitlement for Veterans' health care that will take into account the annual changes in the Veterans' population and health care inflation. It would be offset by restoring the pre-2001 top-tax rate for income over \$1 million, closing corporate tax loopholes and delaying tax breaks for the wealthy. **Amendment Rejected 10 - 11.**

Stabenow, D-MI: Amendment to increase funding for interoperable communications equipment to respond to natural disasters, terrorist attacks and public safety needs of America's communities and fully offset by closing egregious tax loopholes, collecting more from the tax gap and delaying a portion of tax breaks for those who make over \$1 million per year. **Amendment Rejected 10 – 11.**

Menendez, D-NJ (Feingold and Wyden): Amendment to increase funding for higher education and vocational education programs; offset by closing tax loopholes; and a Sense of the Senate regarding Pell grants. **Amendment Rejected 10 – 11.**

Conrad, D-ND: Amendment to increase by \$5 billion in FY 2007 funding to combat an avian flu pandemic, increase local preparedness, and create a Manhattan Project-like effort to develop a vaccine to inoculate the U.S. population against a possible pandemic, to be paid for by increasing tax compliance by requiring withholding on all payments for goods and services by all levels of government—federal, state, and local. **Amendment Rejected 10 – 11.**

Wyden, D-OR: Amendment to ensure that any savings associated with legislation that authorizes the Secretary of Health and Human Services to use the collective purchasing power of 40,000,000 Medicare beneficiaries to negotiate the best possible price for prescription drugs provided through Part D of Title XVIII of the Social Security Act in fallback plans, by private drug plans (if asked) and in other circumstances, but not permitting a uniform formulary or price setting, is reserved for deficit reduction or to improve the Medicare drug benefit. **Amendment Rejected by Voice Vote.**

Sarbanes, D-MD: Amendment to increase funding for the U.S. Army Corps of Engineers' civil works program, the Clean Water State Revolving Fund, the National Park Service, NOAA, USDA Forest Service and conservation programs and other natural resource needs. Adds \$2.9 billion to bring the total for Function 300 up to \$31.1 billion (baseline). Offset by closing corporate tax loopholes. **Amendment Rejected 10 – 11.**

Murray, D-WA: Amendment to establish a reserve fund to improve the Medicare prescription drug benefit. **Amendment Rejected 10 – 11.**

Nelson, D-FL (Stabenow): Amendment to provide funds ensuring that Survivor Benefit Plan annuities are not reduced by the amount of dependency and indemnity compensation that military families receive and to provide funds for a “paid-up” SBP by closing abusive corporate tax loopholes. **Amendment Rejected 10 – 11.**

Amendments Withdrawn

Feingold, D-WI: Amendment to express the sense of the Senate regarding Army National Guard end strength funding.

Conrad, D-ND: Amendment to provide an additional \$226 million to enhance the ability of the Internal Revenue Service to collect taxes owed but not paid voluntarily, fully offset by providing that taxpayers may no longer claim tax deductions for punitive damages, and certain fines and penalties, as approved by the Senate in S. 202 and H.R. 4297.